AUDITING PROCEDURES REPORT

Local Government Type:	Local Government Name:		County	1	
☐ City ☐ Township ☐ Village ☒ Other	Auburn Hills Library		Oaklar		
Audit Date Opinion D		Date Accountant F	Report Submi	ited To State:	
December 31, 2005 May 4, 20		June 26, 2006			
Ne have audited the financial statements of this loc with the Statements of the Governmental Accounting Counties and Local Units of Government in Michigan	ng Standards Board (GASB) an	d the <i>Uniform Reporting</i>			
Ve affirm that: . We have complied with the <i>Bulletin for the Aua</i> . We are certified public accountants registered		<i>in Michigan</i> as revised.			
Ve further affirm the following. "Yes" responses hand recommendations.	ve been disclosed in the financia	l statements, including th	e notes, or in	the report of commer	
yes on 2. There are accumulated defining yes on 3. There are instances of non- yes on 4. The local unit has violated the	elow: nds/agencies of the local unit are cits in one or more of this unit's une compliance with the Uniform Act ne conditions of either an order issergency Municipal Loan Act.	nreserved fund balances/ counting and Budgeting A	retained earni Act (P.A. 2 of	ngs (P.A. 275 of 1980 1968, as amended).	
yes 🛛 no 5. The local unit holds deposit [MCL 129.91] or P.A. 55 of	s/investments which do not comp 1982, as amended [MCL 38.113	2])			
yes on 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension bene (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and the overfunding credits are more than 100% funded and 100% funde					
yes no 8. The local unit uses credit ca yes no 9. The local unit has not adop		icable policy as required			
We have enclosed the following:		Enclosed	To Be Forward	Not ed Required	
The letter of comments and recommendations.				\boxtimes	
Reports on individual federal assistance programs	(program audits).			\boxtimes	
Single Audit Reports (ASLGU).					
Certified Public Accountant (Firm Name):	lante & Moran, PL	LC			
Street Address 27400 Northwestern Highway	City South	field	State MI	ZIP 48037	
Accountant Signature			-	•	

Financial Report
with Supplemental Information
December 31, 2005

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Plante & Moran, PLLC



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Independent Auditor's Report

To the Auburn Hills Library Board City of Auburn Hills, Michigan

We have audited the accompanying basic financial statements of Auburn Hills Library as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Auburn Hills Library Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Auburn Hills Library as of December 31, 2005 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

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Plante & Moran, PLLC

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Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2005

	General Fund - Modified Accrual Adjustme						
	Basis			Note 2)	Accrual Basis		
Assets							
Investments (Note 3)	\$	565,864	\$		\$	565,864	
Property taxes receivable (Note 1)	Ψ	1,338,855	Ψ		Ψ	1,338,855	
Capital assets - Net (Note 4)		-	1	274,823		274,823	
Total assets	•	1,904,719		274,823		2,179,542	
	Ψ	1,704,717		277,023		2,177,572	
Liabilities	\$	25.044				25.044	
Accounts payable	Þ	25,064 14,052		- 38,812		25,064	
Accrued payroll Deferred revenue (Note 1)		1,338,855		30,012		52,864 1,338,855	
Long-term debt (Note 5)		1,336,633	122,094		1,338,83		
Long-term debt (Note 3)		<u>-</u>		122,074		122,074	
Total liabilities		1,377,971		160,906		1,538,877	
Fund Balance - Unreserved							
Designated for contributions		10,302		(10,302)		-	
Undesignated		516,446	-	(516,446)		-	
Total fund balance		526,748		(526,748)			
Total liabilities and fund balance	\$	1,904,719					
Net Assets							
Invested in capital assets				274,823		274,823	
Unrestricted				365,842		365,842	
Total net assets			\$	640,665	\$	640,665	

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2005

	General Fund -				ement of Net
	Mod	ified Accrual	Adjustments	Assets - Full	
		Basis	(Note 2)	Accrual Basis	
Revenue					
Property taxes - City of Auburn Hills	\$	1,225,045	\$ -	\$	1,225,045
Contributions and donations		1,557	-		1,557
State penal fines		26,511	-		26,511
State aid		15,766	-		15,766
Interest and other		50,668			50,668
Total revenue		1,319,547	-		1,319,547
Expenditures					
Salaries		473,062	38,812		511,874
Fringe benefits		187,007	-		187,007
Supplies		26,996	-		26,996
Administrative		216,312	-		216,312
Computer charges		25,019	-		25,019
Communications		3,704	-		3,704
Rent		79,013	-		79,013
Memberships and dues		14,911	-		14,911
Capital outlay		237,535	(149,735)		87,800
Depreciation		-	144,855		144,855
Maintenance		8,346	-		8,346
Insurance		12,406	-		12,406
Tax refunds		-	9,776		9,776
Other		22,397			22,397
Total expenditures		1,306,708	43,708		1,350,416
Excess of Revenue Over (Under) Expenditures/Chan	ge				
in Net Assets	-	12,839	(43,708)		(30,869)
Fund Balance/Net Assets - Beginning of year		513,909	157,625		671,534
Fund Balance/Net Assets - End of year	\$	526,748	\$ 113,917	\$	640,665

Notes to Financial Statements December 31, 2005

Note I - Nature of Organization and Summary of Significant Accounting Policies

Auburn Hills Library (the "Library") is located in the City of Auburn Hills, Michigan. The Library is funded primarily through a tax levy, fines, and fees. Revenue is used to operate and staff the Library. The Library facility is owned by the City of Auburn Hills. The Library pays rent on a month-to-month basis.

The accounting policies of Auburn Hills Library conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by a six-member elected board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Basis of Accounting

The Library follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Fines, contributions, and certain miscellaneous revenue are recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on the following December 1. These taxes are billed on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31. The 2004 taxable valuation for the City of Auburn Hills totaled approximately \$2,374,000,000 (a portion of which is abated and a portion of which is captured by the TIFA districts).

- b. There are .7041 mills levied for Library operating purposes, resulting in property tax revenue of approximately \$1,312,000.
- c. Payments for types of supplies that can be inventoried are recorded as expenditures at the time of purchase.

Notes to Financial Statements December 31, 2005

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Investments - Investments are recorded at fair value.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment Library books and audiovisual materials 5 years 5 years

Budget Information - The annual budget is prepared by the library director during May or June for the next fiscal year. The budget is presented to the library board in June or July for adoption. Subsequent amendments are approved by the library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted for the Library's activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the library board is included in the subtotals for total revenue and total expenditures in the required supplemental information section. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Notes to Financial Statements December 31, 2005

Note 2 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from the net assets and change in net assets of the Library's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental revenue, expenditures, and changes in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Fund Balance - General Fund - Modified Accrual Basis	\$ 526,748
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	274,823
Long-term liabilities are not due and payable in the current period and are not reported in the funds	 (160,906)
Net Assets - Full Accrual Basis	\$ 640,665
Excess of Revenue over Expenditures - Modified Accrual Basis	\$ 12,839
Amounts reported in the statement of activities are different because:	
Depreciation is recorded as an expense in the statement of net assets	(144,855)
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance	149,735
General liability claims, as well as accumulated sick and vacation pay, are recorded when earned in the statement of activities	(38,812)
The change in the general liability related to tax tribunal claims are recorded when earned in the statement of activities	 (9,776)
Change in Net Assets - Full Accrual Basis	\$ (30,869)

Notes to Financial Statements December 31, 2005

Note 3 - Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The Library's investment policy as adopted by the City of Auburn Hills in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws 129.91 (Public Act 20 of 1943, as amended), as listed above. The Library's investment policies are in accordance with statutory authority.

The Library's investments are subject to risk, which is examined in more detail below:

Credit risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

Investments	F	air Value Rating		Rating Organization		
Bank investment pool	\$	938,087	Aaa	Moody's		

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance						Balance	
	January I,				Disp	oosals and	December 31,	
	2005		Additions		Adjustments			2005
Capital assets being depreciated:								
Furniture, fixtures, and equipment	\$	91,077	\$	71,631	\$	-	\$	162,708
Library books and audio visual materials		569,935	_	78,104		62,888		585,151
Subtotal		661,012		149,735		62,888		747,859
Accumulated depreciation:								
Furniture, fixtures, and equipment		54,885		18,910		-		73,795
Library books and audio visual materials		336,184	_	125,945		62,888		399,241
Subtotal		391,069		144,855		62,888		473,036
Net capital assets	\$	269,943	\$	4,880	\$		\$	274,823

Note 5 - Long-term Debt

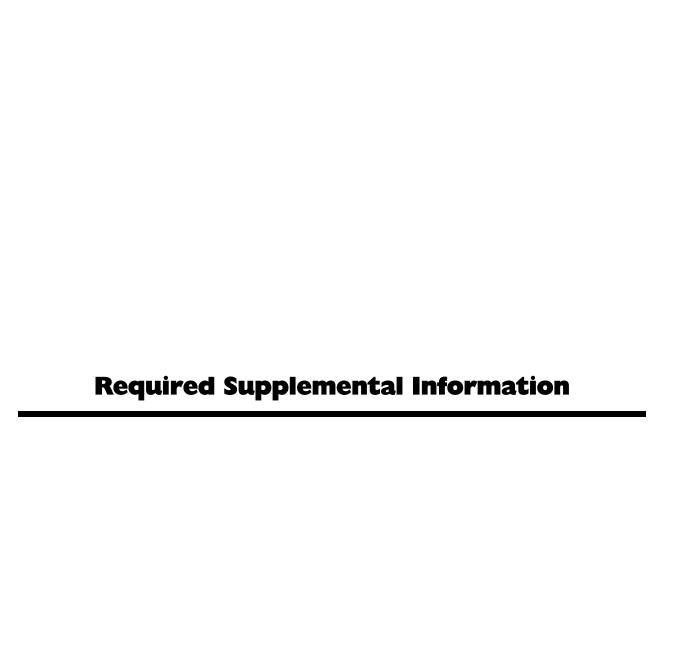
The long-term debt reported represents an estimate of the Library's potential exposure for pending property tax appeals.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 7 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rule will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.



Budgetary Comparison Statement Governmental Fund Year Ended December 31, 2005

	Orininal	Ammended		Variance Favorable
	Original			
	Budget	Budget	Actual	(Unfavorable)
Revenue				
Property taxes - City of Auburn Hill:	\$1,273,913	\$ 1,273,913	\$ 1,225,045	\$ (48,868)
Contributions and donations	-	-	1,557	1,557
State penal fines	28,000	28,000	26,511	(1,489)
State aid	13,805	13,805	15,766	1,961
Interest and other	29,000	29,000	50,668	21,668
Total revenue	1,344,718	1,344,718	1,319,547	(25,171)
Expenditures				
Salaries	539,097	539,097	473,062	66,035
Fringe benefits	212,883	212,883		25,876
Supplies	33,000	33,000	26,996	6,004
Administrative	216,312	216,312	216,312	-
Computer Charges	30,000	30,000	25,019	4,981
Communications	7,000	7,000		3,296
Rent	79,013	79,013	79,013	-
Memberships and dues	13,000	13,000	14,911	(1,911)
Capital outlay	149,500	236,500	237,535	(1,035)
Maintenance	10,000	10,000	8,346	1,654
Insurance	10,000	10,000	12,406	(2,406)
Tax refunds	20,000	20,000	-	20,000
Other _	24,913	24,913	22,397	2,516
Total expenditures	1,344,718	1,431,718	1,306,708	125,010
Change in Fund Balance	-	(87,000)) 12,839	99,839
Fund Balance - Beginning of year	365,360	365,360	513,909	148,549
Fund Balance - End of year	\$ 365,360	\$ 278,360	\$ 526,748	\$ 248,388